

VILLAGE OF COLLINSTON
Collinston, Louisiana

Annual Financial Statements

As of and for the Year Ended
December 31, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9-5-07

VILLAGE OF COLLINSTON
Collinston, Louisiana

Annual Financial Statements

As of and for the Year Ended December 31, 2006

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VILLAGE OF COLLINSTON
 Collinston, Louisiana
 Annual Financial Statements
 As of and for the Year Ended December 31, 2006

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M. Carleen Dumas

CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD . CALHOUN, LOUISIANA. TELEPHONE 318/644-5726

Independent Auditor's Report

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF COLLINSTON
Collinston, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Collinston, as of and for the year ended December 31, 2006, which collectively comprise the village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the village's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund, of the Village of Collinston, as of December 31, 2006, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 17, 2007, on my consideration of the Village of Collinston's internal control over financial reporting and on my tests of the village's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF THE SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF COLLINSTON
Collinston, Louisiana
Independent Auditor's Report
December 31, 2006

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Collinston's basic financial statements. The Schedule of Per Diem Paid Aldermen and the Status of Prior Year Findings listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

/s Carleen Dumas
Calhoun, Louisiana
August 17, 2007

VILLAGE OF COLLINSTON, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2006

As management of Village of Collinston, Louisiana (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the year ended December 31, 2006. This discussion and analysis of management is designed to provide an objective and easy to read analysis of the Village's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of the Village's finances. It is also intended to provide readers with an analysis of the Village's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the Village. Specifically, this section is designed to assist the readers in focusing on significant financial issues, provide an overview of the Village's financial activity, identify changes in the Village's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (approved budget), and identify issues or concerns of individual funds.

As with other sections of this financial report, the information contained within this discussion and analysis of management should be considered only a part of the greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the supplementary information that are provided in addition to this discussion and analysis of management.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's financial statements. The Village's basic financial statements consist of the following components:

1. Government-wide financial statements.
2. Fund financial statements.
3. Notes to financial statements.

In addition to the basic financial statements, the Village also includes in a subsequent section of this report additional information to supplement the basic financial statements.

1. Government-wide financial statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which government financial statements are presented. It now provides readers for the first time with a concise "entity-wide" statement of net assets and statement of activities, seeking to give the users of the financial statements a broad overview of the Village's financial position and results of operations in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Village's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies, with the elimination of internal activities. The difference between assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether

the financial position of the Village is improving or weakening. Evaluation of the overall economic health of the Village would extend to other nonfinancial factors in addition to the financial information provided in this report.

The statement of activities presents information detailing how the Village's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of this statement is to show the financial reliance of the Village's distinct activities or functions on revenues provided by the citizenry of the Village.

The government-wide financial statements report governmental activities of the Village that are principally supported by tax revenues. Governmental activities include general government, public safety, and debt service.

2. Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Village uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Village as a whole with major funds being separately reported.

The Village has two fund types:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Village's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and commitment of spendable resources for the near-term.

The proprietary fund is reported in the fund financial statements and generally reports services for which the Village charges customers a fee. The fund essentially encompasses the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the Village. Proprietary fund financial statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

As the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. A reconciliation from both the governmental funds balance sheet and the statement of revenues, expenditures, and changes in fund balances to the government-wide statements is provided to assist in understanding the differences between these two perspectives.

3. Notes to financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the financial statements.

Government-Wide Financial Analysis

The following provides a summary of the net assets (in thousands of dollars) of the Village as of December 31:

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 29	\$ 101	102	\$ 74	\$ 131	\$ 175
Capital assets	<u>75</u>	<u>68</u>	<u>1,183</u>	<u>1,246</u>	<u>1,258</u>	<u>1,314</u>
Total assets	<u>\$ 104</u>	<u>\$ 169</u>	<u>\$ 1,285</u>	<u>\$ 1,320</u>	<u>\$ 1,389</u>	<u>\$ 1,489</u>
Long-term liabilities	\$ -	\$ 22	\$ 437	\$ 445	\$ 437	\$ 467
Other liabilities	<u>25</u>	<u>21</u>	<u>15</u>	<u>17</u>	<u>40</u>	<u>38</u>
Total liabilities	<u>\$ 25</u>	<u>\$ 43</u>	<u>\$ 452</u>	<u>\$ 462</u>	<u>\$ 477</u>	<u>\$ 505</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 75	\$ 68	\$ 747	\$ 801	\$ 822	\$ 869
Restricted	4	8	54	57	58	65
Unrestricted	<u>-</u>	<u>50</u>	<u>32</u>	<u>-</u>	<u>32</u>	<u>50</u>
Total net assets	<u>\$ 79</u>	<u>\$ 126</u>	<u>\$ 833</u>	<u>\$ 858</u>	<u>\$ 912</u>	<u>\$ 984</u>

As noted earlier, net assets may serve over time as a useful indicator of the Village's financial position. The Village will use the unrestricted net assets to meet the ongoing obligations to users of its services and creditors.

By far, the largest portion of the Village's net assets as of December 31, 2006 (90.1%) reflects the Village's investment in capital assets (infrastructure, buildings, improvements, machinery and equipment, and land) less any related debt used to acquire these assets that remains outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, as the capital assets themselves cannot be used to liquidate the debt.

An additional portion of the Village's net assets represents resources that are subject to external restrictions as to how they may be used. The remaining balance of unrestricted net assets may be used to meet the Village's ongoing obligations to citizens and creditors.

As of December 31, 2006, the Village was able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The following summarizes the Village's net asset changes (in thousands of dollars) between the two years ended December 31, 2006 and 2005:

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Totals</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
Program revenues:						
Charges for services	\$ 18	\$ 70	\$ 112	\$ 115	\$ 130	\$ 185
Operating grants and contributions	4	6	7	-	11	6
Capital grants and contributions	12	-	-	15	12	15
General revenues:						
Ad valorem taxes	17	17	-	-	17	17
Franchise taxes	6	6	-	-	6	6
Sales taxes	44	51	-	-	44	51
Occupational licenses	24				24	
Intergovernmental	1	1	-	-	1	1
Interest and miscellaneous	1	2	-	1	1	3
Total revenues	<u>\$ 127</u>	<u>\$ 153</u>	<u>\$ 119</u>	<u>\$ 131</u>	<u>\$ 246</u>	<u>\$ 284</u>
Expenses:						
General government	\$ 66	\$ 82	\$ -	\$ -	\$ 66	\$ 82
Public safety	62	55	-	-	62	55
Interest on long-term debt	1	1	-	-	1	1
Depreciation	9	15	-	-	9	15
Water and sewer	-	-	179	170	179	170
Total expenses	<u>\$ 138</u>	<u>\$ 153</u>	<u>\$ 179</u>	<u>\$ 170</u>	<u>\$ 317</u>	<u>\$ 323</u>
Excess (deficiency) before transfers	<u>\$ (11)</u>	<u>\$ -</u>	<u>\$ (60)</u>	<u>\$ (39)</u>	<u>\$ (71)</u>	<u>\$ (39)</u>
Transfers	<u>(36)</u>	<u>-</u>	<u>36</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u><u>\$ (47)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (24)</u></u>	<u><u>\$ (39)</u></u>	<u><u>\$ (71)</u></u>	<u><u>\$ (39)</u></u>

The Village's total revenues decreased by \$38,000 while the total cost of all programs and services also decreased by \$6,000. The majority of the revenue decrease was attributable to the receipt of less fines

and forfeitures. The Village's expenses cover a range of services with approximately 56.5% of the total related to the provision of water and sewer services.

General revenues are those available for the Village to pay for the governmental activities. For the year ended December 31, 2006, sales taxes were the largest general revenue source for the Village and occupational licenses were second.

Property taxes are also a general revenue source for the Village. For the year ended December 31, 2006, taxes of 7.08 mills were levied on property within the Village's limits. The Village's taxable assessed valuation increased \$16,480 from \$953,900 to \$970,380 while mills levied remained unchanged.

Program revenues derive directly from the program itself or from parties outside the Village's taxpayers or citizenry. As a whole, they reduce the cost of the function to be financed from the Village's general revenues.

Business-Type Activities

The business-type activities of the Village are the water and sewer services that the Village charges fees to customers to help cover all or most of the costs of providing the services. Operating revenues for the year ended December 31, 2006 of \$111,462 decreased by \$3,397 from \$114,859 of the previous year. Total expenses of \$178,640 for the year ended December 31, 2006 increased from the previous year's total of \$169,913 by \$8,727.

Financial Analysis of Governmental Funds

As of December 31, 2006, the Village's governmental funds reported combined ending fund balances of \$4,559, a decrease of \$75,986 from \$80,545 as of December 31, 2005. The decline resulted from the decrease in collections of fines and forfeitures and a \$32,100 transfer from the Debt Service Fund to the Water and Sewer Fund.

Budgetary Highlights

The Village made amendments to its General Fund budget for the year ended December 31, 2006. Actual revenues of the General Fund of \$104,279 exceeded budgeted revenues of \$93,973 by \$10,306 while actual expenditures of \$131,407 were less than budgeted expenditures of \$135,483 by \$4,076.

Capital Assets and Debt Administration

The Village's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of December 31, 2006 was \$821,143 compared to \$869,384 as of December 31, 2005. This investment in capital assets includes infrastructure, buildings, improvements, machinery and equipment, and land. The only increases in the Village's investment in capital assets for the year ended December 31, 2006 was \$12,000 expended in the Capital Projects Fund and \$2,919 expended in the General Fund for equipment. The funding for the capital project was provided through a capital grant.

As of December 31, 2006, the Village had total bonded debt outstanding of \$436,547. The debt is payable by liens on and pledges of the Village's water and sewer revenues. The Village's total debt decreased \$30,557 during the year ended December 31, 2006 with all debt obligations being timely met and the general obligation bonds being paid in full.

Economic Factors and Next Year's Budget

As the Village foresees a nominal increase in revenues for the next fiscal year, a budget for the General Fund of \$98,152 of revenues and \$96,781 of expenditures was adopted. The adopted 2007 budget included no available fund balance while only \$74 was actually available as of December 31, 2006.

Request for Information

This financial report is designed to provide a general overview of the Village's finances for all of those with an interest in such. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Clerk, P.O. Box 148, Collinston, Louisiana 71229-0148.

BASIC FINANCIAL STATEMENTS

VILLAGE OF COLLINSTON
Collinston, Louisiana

STATEMENT OF NET ASSETS
December 31, 2006

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$7,598	\$21,082	\$28,680
Certificate of deposit	5,000		5,000
Receivables:			
Taxes	5,560		5,560
Accounts		11,243	11,243
Internal balances	(6,688)	6,688	
Due from other governments	13,274		13,274
Restricted assets:			
Cash	4,018	63,333	67,351
Taxes receivable	467		467
Capital assets:			
Land	3,650	5,500	9,150
Construction in progress	12,000		12,000
Other capital assets (net of depreciation)	58,917	1,177,623	1,236,540
TOTAL ASSETS	<u>103,796</u>	<u>1,285,469</u>	<u>1,389,265</u>
LIABILITIES			
Accounts payable	15,395	6,309	21,704
Accrued expenses	2,405	428	2,833
Deferred revenue	6,870		6,870
Payable from restricted assets - customer deposits		8,518	8,518
Long-term liabilities:			
Due within one year		9,035	9,035
Due within more than one year		427,512	427,512
TOTAL LIABILITIES	<u>24,670</u>	<u>451,802</u>	<u>476,472</u>
NET ASSETS			
Invested in capital assets, net of related debt	74,567	746,576	821,143
Restricted	4,485	54,815	59,300
Unrestricted	74	32,276	32,350
TOTAL NET ASSETS	<u>\$79,126</u>	<u>\$833,667</u>	<u>\$912,793</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF COLLINSTON
Collinston, Louisiana

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2006

	..Program Revenues..			Net (Expense) Revenue andChanges in Net Assets.....			
	Charges for						
	Expenses	Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:							
General government	\$66,104	\$6,000			(\$60,104)		(\$60,104)
Public works				\$12,000	12,000		12,000
Public safety	62,384	12,503	\$3,600		(46,281)		(46,281)
Interest	591				(591)		(591)
Depreciation	8,835				(8,835)		(8,835)
Total governmental activities	137,914	18,503	3,600	12,000	(103,811)		(103,811)
BUSINESS-TYPE ACTIVITIES:							
Water and sewer service	178,640	111,462	6,688			(\$60,490)	(60,490)
Total government	\$316,554	\$129,965	\$10,288	\$12,000	(103,811)	(60,490)	(164,301)
GENERAL REVENUES:							
Property taxes levied for general purposes					6,592		6,592
Property taxes levied for debt service					9,959		9,959
Franchise taxes					6,323		6,323
Sales taxes					44,038		44,038
Occupational licenses					23,552		23,552
Intergovernmental					962		962
Unrestricted investment earnings					386	433	819
Miscellaneous					397		397
Transfers					(36,300)	36,300	
Total general revenues and transfers					55,909	36,733	92,642
CHANGE IN NET ASSETS					(47,902)	(23,757)	(71,659)
NET ASSETS - BEGINNING					127,028	857,424	984,452
NET ASSETS - ENDING					\$79,126	\$833,667	\$912,793

The accompanying notes are an integral part of this statement.

Statement C

VILLAGE OF COLLINSTON
Collinston, Louisiana

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2006

	General Fund	Capital Projects	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash	\$7,598		\$4,018	\$11,616
Certificate of deposit	5,000			5,000
Taxes receivable	5,560		467	6,027
Due from other governments	1,274	\$12,000		13,274
TOTAL ASSETS	<u>\$19,432</u>	<u>\$12,000</u>	<u>\$4,485</u>	<u>\$35,917</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$3,395	\$12,000		\$15,395
Accrued expenses	2,405			2,405
Due to other funds	6,688			6,688
Deferred revenue	6,870			6,870
Total liabilities	19,358	12,000	NONE	31,358
Fund balance:				
Reserved			4,485	4,485
Unreserved and undesignated	74			74
Total fund balances	74	NONE	4,485	4,559
TOTAL LIABILITIES AND FUND BALANCES	<u>\$19,432</u>	<u>\$12,000</u>	<u>\$4,485</u>	<u>\$35,917</u>

**Reconciliation of the Balance Sheet of Governmental
Funds To the Statement of Net Assets:**

Total Fund balances - Total Governmental Funds	\$4,559
Amount reported for net assets of governmental activities in the Statement of Net Assets (Statement A) is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	74,567
Total net assets of governmental activities (Statement A)	<u>\$79,126</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF COLLINSTON
Collinston, Louisiana

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2006

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Taxes	\$56,953		\$9,959	\$66,912
Licenses and permits	23,552			23,552
Intergovernmental	4,562	\$12,000		16,562
Fines and forfeitures	12,503			12,503
Charges for services	6,000			6,000
Interest and miscellaneous	709		74	783
Total revenues	<u>104,279</u>	<u>12,000</u>	<u>10,033</u>	<u>126,312</u>
EXPENDITURES				
Current:				
General government	66,104			66,104
Public safety	62,384			62,384
Debt service:				
Principal retirement			22,000	22,000
Interest			591	591
Capital outlay	2,919	12,000		14,919
Total expenditures	<u>131,407</u>	<u>12,000</u>	<u>22,591</u>	<u>165,998</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(27,128)	NONE	(12,558)	(39,686)
OTHER FINANCING SOURCES - transfers in(out)	<u>(4,200)</u>		<u>(32,100)</u>	<u>(36,300)</u>
NET CHANGE IN FUND BALANCES	(31,328)	NONE	(44,658)	(75,986)
FUND BALANCE AT BEGINNING OF YEAR	<u>31,402</u>	<u>NONE</u>	<u>49,143</u>	<u>80,545</u>
FUND BALANCE AT END OF YEAR (Deficit)	<u>\$74</u>	<u>NONE</u>	<u>\$4,485</u>	<u>\$4,559</u>

(Continued)

The accompanying notes are an integral part of this statement.

Statement D**VILLAGE OF COLLINSTON**

Collinston, Louisiana

STATEMENT OF REVENUES, EXPENDITURES AND**CHANGES IN FUND BALANCE - GOVERNMENTAL FUND**

For the Year Ended December 31, 2006

**Total
Governmental
Funds**

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds to
the Statement of Activities:**

Net change in fund balances - Total Governmental Funds (\$75,986)

Amount reported for governmental activities in the
Statement of Activities (Statement B) is different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the costs of those
assets are allocated over their estimated useful lives as
depreciation expense. This is the amount by which capital
outlay (\$14,919) exceeded depreciation expense (\$8,835)
in the current period.

6,084

Repayment of bond principal is an expenditure in the
governmental funds, but the repayment reduces long-
term liabilities in the statement of net assets. This is
the amount related to those reporting differences.

22,000

Change in net assets of governmental activities (Statement B)

(\$47,902)

(Concluded)

The accompanying notes are an integral part of this statement.

Statement E**VILLAGE OF COLLINSTON**
Collinston, Louisiana**STATEMENT OF NET ASSETS - BUSINESS-TYPE ACTIVITIES**
December 31, 2006**Water and
Sewer
Enterprise
Fund****ASSETS**

Current assets:

Cash	\$21,082
Accounts receivable	11,243
Due from other funds	6,838
Total current assets	<u>39,163</u>

Noncurrent assets:

Restricted cash	63,333
Capital assets:	
Land	5,500
Other capital assets (net of accumulated depreciation)	<u>1,177,623</u>
Total noncurrent assets	<u>1,246,456</u>
Total assets	<u>1,285,619</u>

LIABILITIES

Current liabilities:

Accounts payable	6,309
Accrued expenses	428
Due to other funds	150
Payable from restricted assets - customer deposits	8,518
Revenue bonds and notes payable - current	<u>9,035</u>
Total current liabilities	<u>24,440</u>

Noncurrent liabilities:

Revenue bonds and notes payable - net of current portion	<u>427,512</u>
Total liabilities	<u>451,952</u>

NET ASSETS

Invested in capital assets, net of related debt	746,576
Restricted	54,815
Unrestricted	<u>32,276</u>
Total net assets	<u>\$833,667</u>

The accompanying notes are an integral part of this statement.

Statement F**VILLAGE OF COLLINSTON**
Collinston, Louisiana**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - BUSINESS-TYPE ACTIVITIES**
For the Year Ended December 31, 2006

	<u>Water and Sewer Enterprise Fund</u>
OPERATING REVENUES	
Water and sewer fees	<u>\$111,462</u>
OPERATING EXPENSES	
Depreciation	62,882
Dues and subscriptions	1,743
Insurance	3,956
Legal and accounting	11,163
Office and postage	2,446
Repairs and maintenance	7,533
Salaries and payroll taxes	55,199
Supplies	5,067
Telephone	202
Travel and meetings	290
Utilities	<u>7,991</u>
Total operating expenses	<u>158,472</u>
OPERATING INCOME (Loss)	<u>(47,010)</u>
NON-OPERATING REVENUES (Expenses)	
Grants	6,688
Operating transfers in	36,300
Interest revenue	433
Interest expense	<u>(20,168)</u>
Total non-operating revenues	<u>23,253</u>
CHANGE IN NET ASSETS	<u>(23,757)</u>
NET ASSETS - BEGINNING	<u>857,424</u>
NET ASSETS - ENDING	<u><u>\$833,667</u></u>

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF CASH FLOWS - BUSINESS-TYPE ACTIVITIES
For the Year Ended December 31, 2006

Water and
Sewer
Enterprise
Fund

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$111,462
Payments to suppliers	(40,391)
Payments to employees	(55,199)
Other	(724)
Net cash provided by operating activities	<u>15,148</u>

CASH FLOWS FROM NONCAPITAL**FINANCING ACTIVITIES**

Grant proceeds	6,688
Operating transfers in	4,200
Net cash provided by noncapital financing activities	<u>10,888</u>

CASH FLOWS FROM CAPITAL AND RELATED**FINANCING ACTIVITIES**

Repayment of revenue bonds and note payable	(8,557)
Interest paid on revenue bonds and note payable	(20,168)
Net cash used by capital and related financing activities	<u>(28,725)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	433
-----------------	-----

NET DECREASE IN CASH	<u>(2,256)</u>
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CASH AT BEGINNING OF YEAR	<u>86,671</u>
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CASH AT END OF YEAR	<u><u>\$84,415</u></u>
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Reconciliation of Operating Income (Loss) to Net Cash**Provided by Operating Activities**

Operating Income (Loss)	<u>(\$47,010)</u>
-------------------------	-------------------

Adjustments:

Depreciation	62,882
Decrease in accounts receivable	5,198
Increase in accounts payable	4,882
Decrease in accrued expenses	(433)
Decrease in deferred revenue	(6,688)
Decrease in due to other funds	(3,688)
Increase in liabilities payable from restricted assets	5

Total adjustments	<u>62,158</u>
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Net cash provided by operating activities	<u><u>\$15,148</u></u>
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The accompanying notes are an integral part of this statement.

VILLAGE OF COLLINSTON
Collinston, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2006

Note 1. Organization and Summary of Significant Accounting Policies

Village of Collinston, Louisiana, (the "Village") operates under a mayor-board of aldermen form of government in accordance with the provisions of the Lawrason Act. Citizens elect the mayor (at large) and three council members (by districts) who are each compensated. The Village is located in northeast Louisiana, its population is approximately 375, and it employs three full-time people. As of December 31, 2006, the Village services approximately 230 utility customers and maintains approximately three miles of streets.

The Village provides general government, public safety (police), public works (streets), sanitation, and public improvement services.

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Village is considered a primary government, as it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Village may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. the ability of the municipality to impose its will on that organization and/or
 - b. the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.

See accountant's report.

NOTES TO FINANCIAL STATEMENTS

3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the criteria, the Village has determined that Sewer District No. 1 of Village of Collinston, Louisiana, is a component unit of the reporting entity. As required by generally accepted accounting principles, these financial statements present the primary government (the Village) and its component unit. The component unit is reported as part of the municipality and blended with the appropriate municipality funds.

Component units that are legally separate from the municipality, but are so intertwined with the municipality that they are, in substance, the same as the municipality are blended component units. For a component unit to be blended, the organization's board and the municipality must be substantively the same, or the organization must provide services entirely or almost entirely to the municipality.

Considered in the determination of component units of the reporting entity were Eighth Ward Fire Protection District No. 1 of Morehouse Parish, Louisiana. It was determined that this governmental entity is not a component unit of the Village's reporting entity.

The more significant of the Village's accounting policies are described below:

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report information for the Village as a whole. The statements distinguish governmental activities, generally supported by taxes and other general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (a) charges for services which report, fees, fines, forfeitures, and other charges to users of the Village's services, (b) operating grants and contributions which finance annual operating activities; and (c) capital grants and contributions

See accountant's report.

NOTES TO FINANCIAL STATEMENTS

which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported in separate columns.

Basis of Accounting, Measurement Focus, and Financial Statement Presentation:

The financial statements of the Village are prepared in accordance with generally accepted accounting principles (GAAP). The Village's reporting entity applies all relevant GASB pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Village's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting generally including the reclassifications or eliminations of internal activity (between or within funds). However, internal eliminations do not include services provided to Village departments. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Village considers revenues to be available if they

NOTES TO FINANCIAL STATEMENTS

are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual are ad valorem taxes, franchise taxes, sales taxes, intergovernmental revenues, and water and sewer fees. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statement includes revenues and expenses related to primary, continuing operations of the fund. Principal operating revenues for the proprietary fund are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expense and depreciation of capital assets. Other revenues are classified as nonoperating in the financial statements.

Fund Types and Major Funds:

The Village reports the following major governmental funds:

General Fund - the general operating fund of the Village and accounts for all financial resources, except those required to be accounted for in other funds.

Capital Projects Fund - accounts for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

Debt Service Fund - accounts for transactions relating to resources retained for the payment of principal, interest, and related costs of long-term debt obligations.

The Village reports the following major proprietary fund:

Water and Sewer Fund - accounts for operations where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

NOTES TO FINANCIAL STATEMENTS

Budgets and Budgetary Accounting:

The Board of Aldermen adopted annual budgets for the General Fund and Water and Sewer Fund on December 13, 2005. The annual budgets were prepared in accordance with the basis of accounting utilized by the funds. The Village Clerk is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total expenditures resulting from revenues exceeding amounts estimated must be approved by the Board of Aldermen. Amendments were made to the General Fund budget on December 28, 2006 and the budgetary comparison schedule, included as supplementary information in the accompanying financial statements, includes the original and amended budgeted amounts. All annual appropriations lapse at fiscal year end.

The Village of Collinston was not in compliance with the Louisiana Local Government Budget Act for the year ended December 31, 2006, because the total budgeted expenditures in the General Fund amended budgeted exceeded the total estimated funds available.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Certificate of Deposit:

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Under state law, the Village may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

State law and the Village's investment policy allow the Village to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

The certificate of deposit held by the Village is reported at cost, which approximates market value.

See accountant's report.

NOTES TO FINANCIAL STATEMENTS

Receivables:

Significant receivables include taxes and amounts due from customers for utility services. Un-billed utility service receivable resulting from utility services rendered from the last date prior to the end of the fiscal year that meters were read to the end of the fiscal year are immaterial in amount and are not included in the amounts recorded as due from utility customers.

Uncollectible Allowance:

The statements contain no provision for uncollectible accounts. Village management is of the opinion that such allowance would be immaterial in relation to the financial statements taken as a whole.

Restricted Assets/Liabilities:

Meter deposits collected from utility customers are restricted to payment of amounts owed to the Village and/or refunded to the customer upon the customer no longer utilizing the system.

Other cash amounts are restricted per bond ordinances or loan agreements for payments related to long-term obligations.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as needed.

Capital Assets and Depreciation:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets and water and sewer system), with useful lives of more than one year are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All other infrastructure assets (e.g., bridges, drainage systems, and similar items) are considered fully depreciated by the Village and are not included in the government-wide financial statements. Capital assets are recorded at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Village maintains a threshold level of \$2,500 or more for capitalizing capital assets.

See accountant's report.

NOTES TO FINANCIAL STATEMENTS

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Streets	20 years
Buildings and building improvements	20 - 25 years
Machinery and equipment	5 - 10 years
Water and sewer system	10 - 25 years

Deferred Revenue:

The Village reports deferred revenue which arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed and revenue is recognized.

Compensated Absences:

Allowable annual vacation and sick leave is prescribed by municipal ordinance and based on length of continuous employment by the Village. Compensatory time is also granted to supervisory personnel in lieu of overtime pay and should be used within 60 days. Payment for unused compensatory time requires approval of the mayor and Board of Aldermen.

The Village's recognition and measurement criteria for compensated absences follows:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

See accountant's report.

NOTES TO FINANCIAL STATEMENTS

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Statement No. 16 provides that a liability for sick leave should be accrued using one of the following approaches:

1. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
2. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated and the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

No liability existed as of December 31, 2006 for accrued compensated absences resulting from unused vacation time at the end of the year and no liability was recorded for non-vesting accumulating rights to receive sick pay benefits. Compensated absences are paid from the fund responsible for the employee's compensation.

Long-Term Obligations:

In the government-wide financial statements and proprietary fund financial statements, long-term debt is reported as a liability.

Equity Classifications:

In the government-wide and proprietary fund financial statements, equity is classified as net assets and classified further into three components:

See accountant's report.

NOTES TO FINANCIAL STATEMENTS

1. Invested in capital assets - consists of capital assets net of accumulated depreciation.
2. Restricted - consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law though constitutional provisions or enabling legislation.
3. Unrestricted - consists of all other assets.

In the fund financial statements, governmental fund balances are classified as reserved or unreserved with unreserved further classified as undesignated as amounts are available for appropriation and not legally restricted for specified purpose. Fund balance is reserved for amounts not available for appropriation or legally restricted for specified purposes.

Revenue Recognition - Ad Valorem and Sales/Use Taxes:

Ad valorem taxes attach as an enforceable lien on property as of January 1. Taxes are levied by the Village in September or October, are actually billed to the taxpayers in November, and are due and payable on or before January 1 of the following year. All unpaid taxes become delinquent on March 15 of the following year. The Village bills and collects its own property taxes using the assessed values determined by the tax assessor of Morehouse Parish. The Village's ad valorem tax revenues are recognized as deferred revenue when levied.

Sales/use taxes collected and held by other governments at year end on behalf of the Village and those collected by other governments and remitted to the Village within 60 days after December 31 for preceding months are recognized as revenue. The sales/use taxes are collected by Morehouse Sales and Use Tax Commission and remitted to the Village.

Note 2. Cash and Certificate of Deposit

The following is a summary of deposits of the Village as of December 31, 2006:

See accountant's report.

NOTES TO FINANCIAL STATEMENTS

Non-pooled deposits:

Non-interest bearing demand deposits	\$31,301
Interest bearing demand deposits	35,624
Time deposits	29,106
Certificate of deposit	<u>5,000</u>
	<u><u>\$101,031</u></u>

Under state law, the deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held jointly in the name of the pledging fiscal agent bank and the Village in a holding or custodial bank that is mutually acceptable to both parties.

As of December 31, 2006, the Village had \$102,337 in deposits (collected bank balances). These deposits were secured from risk by federal deposit insurance (GASB Category 1).

There were no repurchase or reverse repurchase agreements as of December 31, 2006.

Note 3. Receivables

The following is a summary of receivables as of December 31, 2006:

	General Fund	Debt Service Fund	Water and Sewer Fund	Totals
Taxes:				
Ad valorem	\$2,175	\$467		\$2,642
Sales	2,108			2,108
Franchise	1,277			1,277
Accounts			\$11,243	11,243
	<u>\$5,560</u>	<u>\$467</u>	<u>\$11,243</u>	<u>\$17,270</u>

Note 4. Ad Valorem and Sales Taxes

For the year ended December 31, 2006, ad valorem taxes of 7.08 mills were levied on property with assessed valuations totaling \$970,380 for general corporate purposes. Northeast Louisiana Telephone Co., Inc. is the principal ad valorem taxpayer for the Village. Total ad valorem taxes levied were \$6,870. As of December 31, 2006, ad valorem taxes receivable was \$2,642.

For the year ended December 31, 2006, sales and use taxes of 2% were levied for any and all lawful municipal purposes. These taxes expire December 31, 2009.

See accountant's report.

NOTES TO FINANCIAL STATEMENTS

Note 5. Interfund Receivables and Payables

As of December 31, 2006, the General Fund owed the Water and Sewer Enterprise Fund \$6,788.

Note 6. Interfund Transfers

The following is a summary of interfund transfers during the year ended December 31, 2006:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund		\$4,200
Debt Service Fund		32,100
Water and Sewer Enterprise Fund	<u>36,000</u>	
Total	<u>\$36,000</u>	<u>\$36,300</u>

The transfers to the Water and Sewer Enterprise Fund were to help pay the costs of operations.

Note 7. Restricted Assets and Liabilities Payable from Same Recorded in Statement of Assets

Restricted cash of \$4,018 and taxes receivable of \$467 recorded in the governmental activities consist of resources that were originally retained for the payment of principal, interest, and related costs of long-term debt obligations. Now that the debt is paid in full, the assets are continued to be reported as restricted until their final disposition is determined.

Restricted cash of \$8,631 of the business-type activities consists of meter deposits collected from utility customers. A liability of \$8,518 has been recorded for the payment of amounts owed by the Village and/or refunded to the customer upon the customer no longer utilizing the system.

The remaining restricted cash of \$54,702 recorded in the business-type activities consist of resources retained for the payment of principal, interest, and related costs of long-term debt obligations. The capital-related debt was included in the calculation of the net assets component of invested in capital assets.

See accountant's report.

NOTES TO FINANCIAL STATEMENTS

Note 8. Capital Assets

Capital assets and depreciation activity as of and for the year ended December 31, 2006 for the Village is as follows:

	Balance at January 1, 2006	Increases	Decreases	Balance at December 31, 2006
Governmental activities:				
Capital assets not being depreciated:				
Land	\$3,650			\$3,650
Construction in progress		\$12,000		12,000
Total capital assets not being depreciated	<u>\$3,650</u>	<u>\$12,000</u>	<u>NONE</u>	<u>\$15,650</u>
Capital assets being depreciated:				
Streets	\$29,451			\$29,451
Buildings	82,712			82,712
Building improvements	30,097			30,097
Machinery and equipment	92,610	\$2,919		95,529
Total capital assets being depreciated	<u>\$234,870</u>	<u>\$2,919</u>	<u>NONE</u>	<u>\$237,789</u>
Less accumulated depreciation for:				
Streets	22,949	1,473		24,422
Buildings	75,546	3,309		78,855
Building improvements	13,884	1,017		14,901
Machinery and equipment	57,658	3,036		60,694
Total accumulated depreciation	<u>170,037</u>	<u>8,835</u>	<u>NONE</u>	<u>178,872</u>
Total assets being depreciated, net	<u>\$64,833</u>	<u>(\$5,916)</u>	<u>\$0</u>	<u>\$58,917</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	<u>\$5,500</u>	<u>NONE</u>	<u>NONE</u>	<u>\$5,500</u>
Capital assets being depreciated:				
Water and sewer systems	\$2,052,532			\$2,052,532

See accountant's report.

NOTES TO THE FINANCIAL STATEMENTS

	Balance at January 1, 2006	Increases	Decreases	Balance at December 31, 2006
Machinery and equipment	18,367			18,367
Total capital assets being depreciated	2,070,899	NONE	NONE	2,070,899
Less accumulated depreciation for:				
Water and sewer systems	\$829,476	\$61,044		\$890,520
Machinery and equipment	918	1,838		2,756
Total accumulated depreciation	\$830,394	\$62,882	NONE	\$893,276
Total assets being depreciated, net	<u>\$1,240,505</u>	<u>(\$62,882)</u>	<u>NONE</u>	<u>\$1,177,623</u>

Depreciation expense of the governmental activities of \$8,835 is reported separately in the statement of activities in that the expense essentially serves all functions.

Note 9.

Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the Village for the year ended December 31, 2006:

	Governmental Activities - General Obligation Bonds	Business- Type Activities - Revenue Bonds and Note	Total
Long-term debt payable at January 1, 2006	\$22,000	\$445,104	\$467,104
Reductions	<u>(22,000)</u>	<u>(8,557)</u>	<u>(30,557)</u>
Long-term debt payable at December 31, 2006	<u>NONE</u>	<u>\$436,547</u>	<u>\$436,547</u>

As of December 31, 2006, the Village had accumulated \$4,485 of net assets in the Debt Service Fund awaiting determination of the final disposition of the excess funds.

The outstanding bonds are comprised of the following individual issues:

Revenue bonds and note:

See accountant's report.

NOTES TO THE FINANCIAL STATEMENTS

\$110,000 Water and Sewer Revenue Bonds - dated August 20, 1976, due in annual installments ranging from \$1,000 to \$6,000, bear interest at 5%, payable August 20 of each year.

\$411,000 Water Revenue Bonds, Series 2000 - dated September 27, 2000, due in monthly payments of \$1,866 beginning October 27, 2001, bear interest at 4.5%.

The annual requirements to amortize the revenue bonds and note outstanding as of December 31, 2006 are as follows:

Year Ending December 31,	\$110,000 Bonds		\$411,00 Note		Totals
	Principal	Interest	Principal	Interest	
2007	\$4,000	\$2,450	\$5,035	\$17,356	\$28,841
2008	4,000	2,250	5,266	17,125	28,641
2009	4,000	2,050	5,508	16,883	28,441
2010	5,000	1,850	5,762	16,629	29,241
2011	5,000	1,600	6,027	16,364	28,991
2012 - 2016	\$27,000	\$4,200	\$34,549	\$77,406	\$143,155
2017 - 2021			43,248	68,707	111,955
2022 - 2026			54,137	57,818	111,955
2027 - 2031			67,769	44,186	111,955
2032 - 2036			84,833	27,122	111,955
2037 - 2040			75,413	7,025	82,438
	<u>\$49,000</u>	<u>\$14,400</u>	<u>\$387,547</u>	<u>\$366,621</u>	<u>\$817,568</u>

The revenue bonds and note payable will be liquidated by liens on and pledges of the Village's water and sewer revenues.

The Village incurred \$20,759 of interest costs during the year ended December 31, 2006. \$591 was charged as interest expense in the Debt Service Fund and \$20,168 in the Water and Sewer Proprietary Fund.

Note 10. Fund Balance - Reserved (Balance Sheet - Governmental Funds)

The general obligation bond ordinances require that the excess of assets over liabilities in the Debt Service Fund be restricted.

Note 11. Restricted Net Assets (Statement of Net Assets - Proprietary Fund)

The excess assets available for payment of customer meter deposits and liabilities associated with long-term debt obligations has been reserved.

See accountant's report.

NOTES TO THE FINANCIAL STATEMENTS

Note 12. On-Behalf Payment for Salaries

For the year ended December 31, 2006, the Village recognized revenues and expenditures of \$3,600 in salary supplements from State of Louisiana paid directly to the police chief.

Note 13. Contingencies and Risk Management

The Village occasionally participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Village has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the Village management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village carries commercial insurance for all risks of loss, including workers' compensation. There were no significant reductions in the insurance coverage during the fiscal year. Settlement amounts have not exceeded insurance coverage for the current year or three prior fiscal years.

Note 14. Commitments

On August 25, 2006, the Village was authorized by Office of Community Development, State of Louisiana, to incur costs for planning and administration on a \$190,000 street project to be funded with a block grant. As of December 31, 2006, only \$12,000 of the funds had been obligated.

See accountant's report.

REQUIRED SUPPLEMENTAL INFORMATION

See accountant's report.

VILLAGE OF COLLINSTON
COLLINSTON, Louisiana

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND

For the Year Ended December 31, 2006

	BudgetedAmounts.....		Actual Amounts (Budgetary Basis - GAAP)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$68,278	\$49,931	\$56,953	\$7,022
Licenses and permits	23,782	23,782	23,552	(230)
Intergovernmental revenue	1,340	1,340	4,562	3,222
Fines and forfeitures	45,000	11,000	12,503	1,503
Charges for services	6,500	6,500	6,000	(500)
Interest and miscellaneous	1,420	1,420	709	(711)
Total revenues	<u>146,320</u>	<u>93,973</u>	<u>104,279</u>	<u>10,306</u>
EXPENDITURES				
Current:				
General government	79,301	79,301	66,104	13,197
Public safety	56,182	56,182	62,384	(6,202)
Capital outlay			2,919	(2,919)
Total expenditures	<u>135,483</u>	<u>135,483</u>	<u>131,407</u>	<u>4,076</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	10,837	(41,510)	(27,128)	14,382
OTHER FINANCING SOURCES - transfers	<u>NONE</u>	<u>NONE</u>	<u>(4,200)</u>	<u>(4,200)</u>
NET CHANGE IN FUND BALANCE	10,837	(41,510)	(31,328)	10,182
FUND BALANCE AT BEGINNING OF YEAR	<u>NONE</u>	<u>NONE</u>	<u>31,402</u>	<u>31,402</u>
FUND BALANCE AT END OF YEAR	<u>\$10,837</u>	<u>(\$41,510)</u>	<u>\$74</u>	<u>\$41,584</u>

See accountant's report.

OTHER SUPPLEMENTAL INFORMATION SCHEDULES

See accountant's report.

VILLAGE OF COLLINSTON
COLLINSTON, Louisiana

OTHER SUPPLEMENTAL INFORMATION SCHEDULES
As of and For the Year Ended December 31, 2006

COMPENSATION PAID ALDERMEN

The schedule of per diem paid aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the aldermen is included in the general government expenditures of the General Fund. Aldermen receive a per diem of \$100 per month.

STATUS OF PRIOR YEAR FINDINGS

The follow-up and corrective action taken on all prior year findings is presented in Schedule 3.

See accountant's report.

Schedule 2

**VILLAGE OF COLLINSTON
COLLINSTON, Louisiana**

*Schedule of Per Diem Paid Aldermen
For the Year Ended December 31, 2006*

Sandra Morgan	\$700
Wayne Gilbreath	500
Betty Jones	1,200
Frank Miller	500
Bobby Kelly	<u>700</u>
Total	<u><u>\$3,600</u></u>

See accountant's report.

VILLAGE OF COLLINSTON
COLLINSTON, Louisiana

STATUS OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2006

Reference Number	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action
2005-1	1994	Inadequate Segregation of Duties	No	See Current Year Findings.
2005-2	2003	Internal Control Over Cash Transactions	Partial	See Current Year Findings.
2005-3	2004	Debt Service Fund Transactions	No	See Current Year Findings.
2005-4	1994	Asset Management	Yes	N/A
2005-5	2004	Untimely Completion and Submission	No	See Current Year Findings.
2005-6	2004	Delinquency of Utility Accounts	No	See Current Year Findings.

See accountant's report.

Independent Auditor's Reports Required by
Government Auditing Standards

The following independent auditor's report on internal control over financial reporting and on compliance and other matters is presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States.

M. Carleen Damas

CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD . CALHOUN, LOUISIANA. TELEPHONE 318/644-5726

**Independent Auditor's Report on
Internal Control Over Financial Reporting and on
Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF COLLINSTON
Collinston, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Village of Collinston, as of and for the year ended December 31, 2006, which collectively comprise the Village of Collinston's basic financial statements and have issued my report thereon dated August 17, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Village of Collinston's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Village of Collinston's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of the village's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be a significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there

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VILLAGE OF COLLINSTON
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Independent Auditor's Report
on Compliance and on
Internal Control, etc.,
December 31, 2006

is more than a remote likelihood that a misstatement of the village's financial statements that is more than inconsequential will not be prevented or detected by the village's internal control. I consider the deficiencies described in the accompanying schedule of findings as 2006-7 through 2006-10 to be a significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the village's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider all to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Collinston's financial statements are free of material misstatement, I performed tests of the village's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-1 through 2006-6.

This report is intended solely for the information and use of the mayor and board of aldermen and management of the Village of Collinston and is not intended to be and should not be used by anyone other than these specified parties.

/s Carleen Dumas
Calhoun, Louisiana
August 17, 2007

VILLAGE OF COLLINSTON
Collinston, Louisiana

Schedule of Findings
For the Year Ended December 31, 2006

I have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Village of Collinston, as of and for the year ended December 31, 2006, which collectively comprise the Village of Collinston's basic financial statements and have issued my report thereon dated August 17, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2006 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Significant Deficiency ☒ Yes ☐ No

Material Weakness ☒ Yes ☐ No

Compliance

Compliance Material to Financial Statement ☒ Yes ☐ No

Section II - Financial Statement Findings

2006-1. Need to Comply with Local Government Budget Act

Criteria: Louisiana Revised Statute (LRS) 39:1304 (E) provides that the total budgeted expenditures of a fund shall not exceed the total of estimated funds available for the year.

Condition: The total expenditures of the General Fund final amended budget for the year ended December 31, 2006 exceeded estimated funds available (budgeted revenues plus budgeted beginning fund balance) by \$41,510.

Cause: Management of the village failed to include budgeted beginning fund balance when preparing the General Fund budget.

Effect: The budget is intended to form the framework from which the mayor and board of aldermen monitor revenue and control expenditures. The failure to properly

Village of Collinston
Collinston, Louisiana
Schedule of Findings

prepare or amend the budget could result in the mayor and board of aldermen being unable to accurately monitor the financial condition of the village.

Recommendation: I recommend that budgeted expenditures not exceed budgeted revenues plus budgeted beginning fund balance.

**2006-2. Need to Complete Audit Within
 Time Frame Mandated by State Law**

Criteria: Louisiana Revised Statute 24:513(5)(a) requires that the village have its audit completed within six months of the close of the fiscal year.

Condition: For the year ended December 31, 2006, the village's audit was not completed within six months of the close of its fiscal year.

Cause: The accounting records were not maintained in a manner that would provide for the completion of the audit in a timely manner.

Effect: The failure to have its audit completed within the time frame mandated by state law may result in the delay of certain payments from the State of Louisiana.

Recommendation: I recommend that for all future fiscal years, the village have its audit completed by June 30th of the following year.

2006-3. Donation or Loan of Public Funds

Criteria: Article VII, Section 14 of the Louisiana Constitution prohibits the loan or donation of public funds.

Condition: The following occurred during the year ended December 31, 2006:

1. Approximately \$934 of items that appeared to be personal in nature (not for a public purpose) were charged to a credit account that the village was financially responsible for. However, the village did not use public funds to pay these charges because they were paid by a former elected official of the village.
2. Approximately \$1,047 in personal cell phone bills of a former elected official were paid from the General Fund. The official later repaid the amount to the village.

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Schedule of Findings

3. On at least three different occasions, employees were paid a portion of their salary in advance.
4. A terminated employee was paid two weeks severance pay upon her termination. The village has no policy for paying severance pay to terminated employees and this payment was not approved by the board of aldermen.

Cause: Not determined.

Recommendation: I recommend that only those expenditures that are for a public purpose be incurred by the village. Items of a personal nature should not be purchased on accounts that the village is financially responsible for. Salaries should not be paid in advance and all payments to employees should be in accordance with the village's policies and procedures and approved by the board of aldermen.

2006-4. Prohibited Contractual Arrangement

Criteria: Louisiana Revised Statute 42:1113 prohibits the village's officials, employees or immediate family members of its employees from entering into any transaction with the village.

Condition: During the year ended December 31, 2006, the village paid the daughter of an employee as a contract laborer. The village also made purchases from a store that is owned by an elected official of the village.

Cause: Not determined.

Effect: Not determined.

Recommendation: I recommend that the village not enter into any transactions with its elected officials, employees, or their immediate family members.

2006-5. Unauthorized Use of Excess Monies in Debt Service Fund

Criteria: It is the opinion of the Attorney General that any monies remaining in a Debt Service Fund after a general obligation debt has been paid, should be returned, if practicable, on a pro rata basis to the taxpayers, or should be used for a purpose

Village of Collinston
Collinston, Louisiana
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that is similar to that for which the bonds were issued. In Opinion 02-221, the attorney general stated that excess funds remaining from bonds that were issued for capital construction, if not returned to the taxpayers, should be used for a capital purpose. The attorney general stated in this opinion, that the use of the funds for maintenance of the system would not be a similar purpose and thus would not be an acceptable use.

Condition: During the year ended December 31, 2006, monies in the Debt Service Fund, restricted for the payment of general obligation debt, were transferred to the Water and Sewer Enterprise Fund to help pay the cost of operations. The general obligation debt was paid in full during the year ended December 31, 2006.

Cause: Management of the village was of the opinion that the transfer was a permissible use of funds.

Effect: Not determined.

Recommendation: I recommend that the village request an Attorney General Opinion to determine if their use of the excess monies in the Debt Service Fund was an acceptable one.

**2006-6. Need to Fund Reserve Requirements in
 Accordance with Amounts Specified in
 Loan Resolutions**

Criteria: The loan resolutions with the United States Department of Agriculture for the 1976 revenue bonds requires that the village set aside certain amounts in reserve accounts each year to be used only for repairing or improving the sewer system or making loan payments.

Condition: For the year ended December 31, 2006, the village was required to transfer an amount equal to 5% of the sinking fund deposits into a sewer reserve account until a maximum of \$7,100 was accumulated in the account. The balance in the Sewer Reserve account was \$4,477 at December 31, 2006 and no transfers were made to the account during the year.

Cause: Not determined.

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Effect: The loan resolutions for the revenue bonds from the United States Department of Agriculture provide that failure to comply with requirements of the loan resolutions may be construed by the lender to constitute default on the loan.

Recommendation: I recommend that the village fund the reserve accounts in accordance with the loan resolutions.

2006-7. Inadequate Segregation of Accounting Duties

Criteria: Proper internal controls require that accounting duties be performed by separate individuals so that one individual could not perpetrate and conceal errors or irregularities without them being detected by another individual who was performing his or her assigned duties.

Condition: The village does not have a proper segregation of accounting duties between employees.

Cause: The condition is due to economic and space limitations.

Effect: Errors or irregularities may not be detected within a timely period.

Recommendation: None

2006-8. Need to Improve Controls Over Cash Disbursements

Criteria: Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorizations.

Condition: The following deficiencies in internal controls over cash disbursements were noted for the year ended December 31, 2006:

1. I examined a total of 58 checks that were written during the year. 7 of the 58 checks (12%) were not adequately supported by an itemized invoice or other supporting documentation.

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2. 4 of the 58 disbursements (7%) that were examined were not supported by properly prepared purchase orders.
3. It was noted in my test of disbursements that employees did not sign their time cards which documented hours worked.
4. It was noted in my test of disbursements that finances charges were incurred by the village because invoices were not paid by the due date.
5. Payroll tax reports were not filed by the due dates established by the Internal Revenue Service. Sales tax reports were not filed by the due dates established by the Louisiana Department of Revenue. The incorrect filing of state unemployment tax returns resulted in an overpayment of \$1,274 by the village.

Effect: The failure to establish and adhere to internal controls over cash disbursements could result in a loss of assets from unauthorized use or disposition or from transactions that are not in accordance with management's authorizations.

Cause: Management and employees of the village have not accepted the value of establishing and implementing such internal controls.

Recommendation: I recommend that all disbursements be supported by an original itemized invoice or other supporting documentation and a properly prepared purchase order when such purchase order is required by village policy. I recommend that employees be required to sign their time cards documenting hours worked. I recommend that all invoices be paid by the due date to avoid late charges and interest and that all required payroll tax forms and sales tax forms be properly prepared and filed by the due date.

**2006-9. Need to Improve Controls Over Customer Accounts in
Water and Sewer Enterprise Fund**

Criteria: Management is responsible for establishing internal control policies and procedures to ensure the timely payment of customer accounts and enforcing those established procedures.

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Condition: The following deficiencies were noted in the Water and Sewer Enterprise Fund's internal controls over customer accounts:

1. Adjustments totaling \$3,968 were made to customer's accounts without proper documentation or justification.
2. On more than one occasion, the account of an official or employee was not paid in a timely manner.
3. Approximately \$7,277, which is 44% of the amount billed for December 2006 water and sewer service, was for past due accounts.

Effect: The failure to establish and enforce internal controls over customer accounts could result in a loss of revenue when customers fail to pay in a timely manner.

Cause: Management and employees of the village have not accepted the value of establishing and enforcing such internal controls.

Recommendation: I recommend that all adjustments to customer accounts be reviewed and approved by the board of aldermen. I recommend that the village strictly enforce its policy concerning past due accounts for all customers including employees and officials.

**2006-10. Need to Improve Board of Aldermen Oversight
Over Operations**

Criteria: Due to the small size of the village, the Board of Aldermen must be an active part of management and oversee all employees and officials who perform the day to day operations.

Condition: The following deficiencies were noted in the overall internal control environment of the village:

1. The accounting records were not maintained in a manner that provided detailed reports of the village's income and expenses to the board of aldermen on a monthly basis.
2. Management of the village failed to correct nearly all of the findings reported in the prior year audit report.
- 3.

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- Effect:** The failure to effectively monitor operations of the village could result in adverse conditions or operations going undetected by management.
- Cause:** Management of the village has not accepted the value of establishing and enforcing such internal controls.
- Recommendation:** I recommend that the board of aldermen review monthly detailed reports of revenue and expenses of the village. I recommend that the board of aldermen ensure that all audit findings are resolved in a timely manner.

VILLAGE OF COLLINSTON
MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2006

Section I Internal Control and Compliance Material to the Financial Statement	
<p>2006-1. Need to Comply with Local Government Budget Act</p> <p>I recommend that budgeted expenditures not exceed budgeted revenues plus budgeted beginning fund balance.</p>	<p>The village has hired an outside CPA to assist them with their accounting records and to help ensure that the village is compliance with state laws, including the Local Government Budget Act.</p>
<p>2006-2. Need to Complete Audit Within Time Frame Mandated by State Law</p> <p>I recommend that for all future fiscal years, the village have its audit completed by June 30th of the following year.</p>	<p>The village has hired an outside CPA to assist them with their accounting records and to help ensure that the accounting records are maintained in such a manner that provides for the timely completion of the audit.</p>
<p>2006-3. Donation or Loan of Public Funds</p> <p>I recommend that only those expenditures that are for a public purpose be incurred by the village. Items of a personal nature should not be purchased on accounts that the village is financially responsible for. Salaries should not be paid in advance and all payments to employees should be in accordance with the village's policies and procedures and approved by the board of aldermen.</p>	<p>During 2006, all village credit cards were canceled. The board all aldermen will review all invoices and those containing personal items will not be paid. Salaries will not be paid in advance and the board will approve all payments to employees and this approval will be noted in the minutes.</p>
<p>2006-4. Prohibited Contractual Arrangement</p> <p>I recommend that the village not enter into any transactions with its elected officials, employees, or their immediate family members.</p>	<p>The village did not make anymore purchases from a business owned by an elected official after the village received notification from the Attorney General that such purchases were not allowed. The village will not enter into any transactions with elected officials, employees, or their immediate family members.</p>

<p>2006-5. Unauthorized Use of Excess Monies In Debt Service Fund</p> <p>I recommend that the village request an Attorney General Opinion to determine if their use of the excess monies in the Debt Service Fund was an acceptable one.</p>	<p>The village will obtain an opinion from the Attorney General regarding the use of the excess monies in the Debt Service Fund before December 31, 2007.</p>
<p>2006-6. Need to Fund Reserve Requirements In Accordance With Amounts Specified in Loan Resolutions</p> <p>I recommend that the village fund the reserve accounts in accordance with the loan resolutions.</p>	<p>The village will begin funding the reserve accounts immediately.</p>
<p>2006-7. Inadequate Segregation of Accounting Duties</p> <p>None.</p>	<p>None.</p>
<p>2006-8. Need to Improve Controls Over Cash Disbursements</p> <p>I recommend that all disbursements be supported by an original itemized invoice or other supporting documentation and a properly prepared purchase order when such purchase order is required by village policy. I recommend that employees be required to sign their time cards documenting hours worked. I recommend that all invoices be paid by the due date to avoid late charges and interest and that all required payroll tax forms and sales tax forms be properly prepared and filed by the due date.</p>	<p>All disbursements in the future will be supported by adequate documentation and a properly prepared purchase order when a purchase order is required by village policy. Employees will begin signing their timecards. All invoices will be paid by the due date when funds are available to do so. The village has hired an outside CPA to assist them in filing payroll tax and sales tax forms.</p>

<p>2006-9. Need to Improve Controls Over Customer Accounts in Water and Sewer Enterprise Fund</p> <p>I recommend that all adjustments to customer accounts be reviewed and approved by the board of aldermen. I recommend that the village strictly enforce its policy concerning past due accounts for all customers including employees and officials.</p>	<p>The board of aldermen will immediately begin reviewing and approving all adjustments to customer accounts. During 2007, the village has significantly reduced past due accounts by strictly enforcing its policy concerning past due accounts.</p>
<p>2006-10. Need to Improve Board of Aldermen Oversight Over Operations</p> <p>I recommend that the board of aldermen review monthly detailed reports of revenue and expenses of the village. I recommend that the board of aldermen ensure that all audit findings are resolved in a timely manner.</p>	<p>The board of aldermen will immediately begin to review monthly detail reports of revenue and expenses. The board of aldermen will make every effort to ensure that all audit findings are resolved in a timely manner.</p>
<p>Section II Internal Control and Compliance Material To Federal Awards</p>	
<p>Not Applicable.</p>	
<p>Section III Management Letter</p>	
<p>None Issued.</p>	